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# Average Crop Revenue Election (ACRE)

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**Implications**

We emphasize that, although the research summarized by the latest IPCC report represents the best available science, there are still uncertainties in the projections summarized here. However, climate change will have a significant impact on world agriculture regardless of the specific implications for various growing regions.

Because of the global nature of agricultural markets, agricultural trade patterns may shift. U.S. producers must address both the impact of climate change on their own operations and respond to market signals created by the impact of climate change on agricultural production around the world.

These projected changes in rainfall patterns and the resulting changes in the suitability index for rainfed agriculture provide us with a tool for anticipating the impact of climate change on various agricultural regions of the world. By focusing our attention on the regions of the world where climate change will negatively affect agricultural production, we can develop strategies for adapting to these changes that will help reduce the negative impact on food production in the coming decades.

These strategies must focus on agricultural research and development, including investment in new technologies that can reduce the impact of climate change. Although countries must make these investments individually, a need will arise for a worldwide collaboration to address these issues on a global basis.

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**Average Crop Revenue Election (ACRE)**

*by William Edwards, extension economist, 515-294-6161, wedwards@iastate.edu*

**U**nder the new Food, Conservation, and Energy Act of 2008 producers of USDA program crops such as soybeans, wheat, and corn have the option to enroll in a new counter-cyclical revenue plan. The program is called Average Crop Revenue Election, or ACRE for short. It is being offered as an alternative to the counter-cyclical payment option under the 2003 farm bill, but is based on gross revenue (commodity price times yield) instead of price only.

ACRE uses a combination of state average yields, farm level yields, and the national marketing year price to determine levels of revenue guarantees and payments for each covered commodity. There are two revenue triggers that have to be met before any ACRE payments are generated, one at the state level and one at the farm level. To trigger a payment under ACRE the "actual" revenue for both the state and the farm must be less than their corresponding guarantees. The actual revenues

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are the current marketing year price multiplied by the state average yield and the actual farm level yield, respectively. If both triggers are reached, the payment to the farm will be the difference between the state guarantee and the state actual revenue.

Producers who sign up for ACRE will forfeit 20 percent of their current direct payments through 2012. They also will give up any potential price counter-cyclical payments, and the loan rate used to calculate their loan deficiency payments or marketing loans will be lowered by 30 percent. The loss of potential CCPs and LDPs may not be too critical, because if market prices fall enough to trigger those payments it is likely that the ACRE payment will be at least as large.

Although the ACRE program may resemble crop revenue insurance, there are some important differences. The ACRE guarantees are based on longer term average prices and yields, so they will not fluctuate as much from year to year as crop insurance guarantees. In fact, ACRE regulations state that the guarantees can-

not increase nor decrease more than 10 percent each year. This helps accomplish the fundamental goal of ACRE, which is to stabilize gross revenues over the next 4 years.

On the other hand, one of the two ACRE guarantees and the size of the payment are based on state level yields, not farm yields like most crop insurance policies. ACRE does not protect a farmer who has a poor production year when the state as a whole does not. In addition, ACRE revenue uses the marketing year cash price to calculate actual revenue while crop revenue insurance uses futures prices at harvest time. So, while ACRE payments can be a useful risk management tool for sharply falling prices or widespread yield losses, they do not replace farm level crop insurance protection.

More information is available in Information File A1-45, Average Crop Revenue Election (ACRE). A Decision Tool is also available on Ag Decision Maker to help estimate ACRE payments.



## **Agricultural outlook & management seminar series**

*by Ann M. Johanns, extension program specialist, 641-732-5574, aholste@iastate.edu*

Iowa State University Extension is offering Agricultural Outlook and Management seminars throughout November 2008 to address outlook and management issues.

These seminars are designed to provide agribusiness leaders with a concise evaluation of current market conditions, expected trends in crop and livestock income potential, and management implications. Participants also will receive an overview of the agricultural industry and learn how changes may affect Iowa producers.

Meeting registration begins at 8:30 a.m. for each location with the program beginning at 9:00 a.m. Most locations will conclude at approximately 3:00 p.m., though some sites may go longer.

The registration fee is \$35.00 for most locations (Amana is \$45.00). Registration includes lunch, refreshments, and materials at all locations. Pre-registration is required one week prior to the seminar.

### **Locations**

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|-------------|--|
| November 12 | <b>Fort Dodge</b><br>Best Western Starlight Village      |
| November 13 | <b>Waterloo</b><br>Hawkeye Community College - Tama Hall |
| November 14 | <b>West Des Moines</b><br>DMACC West Campus              |
| November 17 | <b>Amana</b><br>Holiday Inn - I-80, Exit 225             |
| November 19 | <b>Cherokee</b><br>Western Iowa Tech Community College   |
| November 21 | <b>Atlantic</b><br>Cass County Community Building        |